310956 - When is the Forex halal? The ruling on dealing with CFDs (contracts of differences) from the XM company

the question

I know that dealing with the Forex is haram, because it involves riba and other things, but there is something called the Islamic account, but it is also haram, according to what I have read. There are some people who have asked about some companies, and you issued fatwas stating that it is permissible to deal with them. Hence we find that dealing with the Forex is not haram in and of itself; rather it is haram because of what it involves of riba-based transactions. So my question is: are there actually Forex companies with which it is permissible to deal? What are those companies? If we simply avoid margins, rollover fees and leverages, does the transaction become halal? Is it permissible to trade without capital, as the XM company does?

Detailed answer

Praise be to Allah.

Firstly:

If the Forex system involves leverage or margins, then it is haram, because this is combining payment in advance and brokerage. This has already been discussed in the answer to question no. 125758.

If it involves margins and rollover fees, then it is even more emphatically haram, because it is combining payment in advance and brokerage with riba-based loans. Please see the answer to question no. 106094.

Secondly:

If the transaction is free of the things mentioned above, and a person deals with his own wealth

only via the Internet, then that is permissible, subject to two conditions:

1. That immediate exchange, as prescribed in Islamic teaching, takes place when purchasing currencies;
2. That there is no trading in anything that is haram, such as options, futures, bonds and mixed or haram shares.

See the previous reference, and the answer to question no. 110938 .

With regard to trading without capital through the website of the XM company, we could not find any detailed description of that, but we should point out that the CFDs (contracts for differences) on the company's website are haram contracts, as they are contracts involving options and futures, which are mentioned in the statement of the Islam Fiqh Council quoted in the answer to question no. 106094.

The Islamic Fiqh Council in Jeddah, no. 63, stated in its sixth session that options are not permissible according to Islamic teaching, because the object of the contract is neither wealth, nor a benefit, nor a financial right that may be compensated.

Similar to that are contracts involving futures and indicators. End quote.

Contracts for differences or CFDs are defined as follows:

an agreement between two parties, who are usually referred to as the purchaser and seller, the value of which is based on the underlying asset (for example, the stock index, stock or futures contract) at the end of the contract, or when the parties concerned decide to close the deal. At that point, the seller pays the difference between the current price of the underlying asset and its price when opening it for the purchaser. That applies if the value of the underlying asset has risen. In the event of the opposite, if the value of the underlying asset has dropped, then the difference between the current price and the original price is negative, in which case the purchaser pays the difference to the seller.End quote

This is in addition to the fact that the Islamic Forex account on the website includes leverage, so it

is haram, as noted above.

And Allah knows best.